

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PATELUNAS TO
INTERROGATORY OF NASHUA PHOTO INC., DISTRICT PHOTO INC., MYSTIC
COLOR LAB AND SEATTLE FILMWORKS, INC.
(NDMS/USPS-T15-1)

The United States Postal Service hereby provides the response of witness Patelunas to the following interrogatory of Nashua Photo Inc., District Photo Inc., Mystic Color Lab, and Seattle Filmworks, Inc.: NDMS/USPS-T15-1, filed on September 17, 1997.

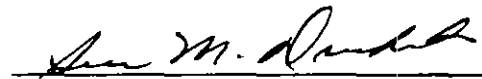
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Susan M. Duchek

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September 29, 1997

Response of United States Postal Service Witness Patelunas
to Interrogatories of
Nashua Photo, District Photo, Mystic Color Lab and Seattle Filmworks

NDMS/USPS-T15-1

Please refer to your response NDMS/USPS-T33-24 (redirected to you from witness Sharkey), and to LR-H-12, page 100, referred to in your answer. The column "Incremental FY 98" shows an entry on the ninth row for \$100,000 thousand described as Priority Redesign (98) and charged to Account 53599/Comp 142. In the same column, on the penultimate row before "Subtotal Trans. Programs" is another entry for \$100,000 thousand, also labeled Priority Redesign and charged to Account 53131/Comp 143. The subtotal for transportation programs, \$252,447 thousand, would appear to include a total of \$200,000 thousand in FY 98 for Priority Mail Redesign.

- a. Are the two \$100,00 thousand entries for "Priority Mail Redesign" duplicative?
- b. What do Account 53599/Comp 142 and Account 53131/Comp 143 stand for? Are they for air or surface transportation? If either component is for air transportation, please explain what it represents; e.g., expansion of the Eagle Network, special "charter" flights not part of the Eagle Network to transport Priority Mail, etc.
- c. Please confirm that the subtotal for Transportation Programs in FY 98 includes \$200,000 thousand for Priority Mail Redesign. If you do not confirm, or if the two figures cited above are not additive, please explain.
- d. Your answer notes that LR-H-12 includes "a cost reduction in air transportation costs due to Priority Mail Redesign." That does not explain the \$50,164 thousand increase in Priority Mail air transportation costs between the Base Year and Test Year Before Rates. In fact, when the cost reduction of \$82 million is taken into account, other unexplained factors are causing an increase of \$132,164 thousand in air transportation costs for Priority Mail, which is an astounding increase of 34.5 percent over base year air transportation costs. Please explain what is causing both the ground and air transport costs for Priority Mail to increase so sharply.

NDMS/USPS-T15-1 Response:

- a. No, one of the \$100,000 is Highway service costs for component 143 and the other \$100,000 is Domestic Air service costs for component 142.
- b. In the Postal Service's cost model, "Comp 142" stands for component 142, which is Domestic Air transportation and "Comp 143" stands for component 143, which is Highway transportation. Component 142 is air and component 143 is surface. These

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NDMS/USPS-T15-1 Response continued:

costs are further described in USPS Library References H-1 (pages 123-124) and H-12 (Section 14.1.1).

c. Part c. is confirmed.

d. Please refer to Attachment I to this response. Lines 1 - 19 in columns (2-5) show the cost changes that appear in the rollforward model from Base Year 1996 through Test Year 1998 Before Rates. Column (1) reflects the correction discussed in my second revised response to UPS/USPS-T33-35 redirected from Witness Sharkey. Line 21 of columns (1-5) is the total change between the base year and the test year. Line 22 of columns (1-5) is the percentage change; it is line 21 divided into line 1. Columns (6-10) show the individual impacts in terms of the total change. For example, line 3 of column (6) shows the 9.52% of the total change that was the result of the FY 1996 to FY 1997 cost level effect in the rollforward model.

As can be seen on line 22 of column (1), the total change in Priority Mail Air Transportation costs from the base year to the test year is 31.4%. Most of the increase is the result of the other programs in Test Year 1998, of which, \$100,000 is Priority Mail Redesign. Likewise, most of the 104.4% increase for Priority Mail Highway Transportation costs from the base year to the test year is the result of Priority Mail Redesign.

Priority Mail Transportation

Absolute Total Change					Percent Change of Total				
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Line	Column=>	Air	Highway	Rail	Water	Total	Air	Highway	Rail	Water	Total
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

1	96MODS	383,497	139,622	2,806	430	526,355					
2											
3	CL	25,426	4,901	33	14	30,374	9.52%	1.84%	0.01%	0.01%	11.38%
4	MV	53,073	18,757	368	58	72,256	19.88%	7.03%	0.14%	0.02%	27.06%
5	NV	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%
6	AD	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%
7	CR	-21,218	0	0	0	-21,218	-7.95%	0.00%	0.00%	0.00%	-7.95%
8	OP	32,748	6,851	0	0	39,599	12.27%	2.57%	0.00%	0.00%	14.83%
9											
10	97RCR	473,526	170,131	3,207	502	647,366	33.72%	11.43%	0.15%	0.03%	45.32%
11											
12	CL	-13,922	2,382	92	14	-11,434	-5.21%	0.89%	0.03%	0.01%	-4.28%
13	MV	28,143	10,563	202	32	38,940	10.54%	3.96%	0.08%	0.01%	14.58%
14	NV	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%
15	AD	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%
16	CR	-83,843	-2,463	0	0	-86,306	-31.40%	-0.92%	0.00%	0.00%	-32.32%
17	OP	100,000	104,791	0	0	204,791	37.45%	39.25%	0.00%	0.00%	76.70%
18											
19	98RCB	503,904	285,404	3,501	548	793,357	78.81%	66.03%	0.41%	0.07%	145.32%
20											
21	Change	120,407	145,782	695	118	267,002					
22	% Change	31.40%	104.41%	24.77%	27.44%	50.73%					

Sources:

Cols (1-4) Lines (1-10) USPS-T15 WP-A

Cols (2-4) Lines (11-20) USPS-T15 WP-F

Col (1) Lines (11-20) reflecting Attachment I, second revised response to UPS/USPS-T33-36 redir. from Witness Sharkey

Col (5) Lines (1-19) = Sum cols(1-4)

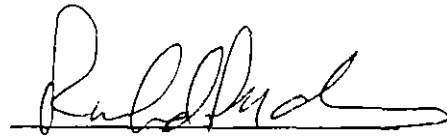
Cols (1-5) Line 21 = Line 19 - Line 1

Cols (1-5) Line 22 = Line 21 / Line 3

Cols (6-10) = relevant change portion / total change

DECLARATION

I, Richard Patelunas, declare under penalty of perjury that the foregoing answers to interrogatories are true and correct to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Richard Patelunas", written over a horizontal line.

Dated: 9/29/97

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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September 29, 1997